

# Regulatory challenges in inclusive insurance

# WHY INCLUSIVE INSURANCE ?

INTERNAL FACTORS	EXTERNAL FACTORS
Social responsibility of the shareholders	Increasing competition in conventional insurance market reaching not all social classes
Diversification of risks	Decreasing margins in conventional market
Increase of revenues	Regulatory requirements
Looking for new markets and innovative products	Political pressure
	Liberalisation of markets

# Comparison : conventional and inclusive insurance

Emerging & developing markets	Conventional insurance	Inclusive insurance
Target market	Middle income and higher	Low middle income and lower
Financial literacy	Satisfactory amongst professionals	Low => sensibilisation costs high
Sales & client servicing	Licensed intermediaries	Often non licensed intermediaries
Premium collection	Direct debit	Cash or associated with other commercial operation. Premium payment irregular and/or frequent
Underwriting	Detailed application (in life with medicals)	Short application
Sums insured	High and/or variable depending upon claim event	Fixed sum insured and generally low
Exclusions	Existing	Reduced or none
General conditions	Long and complicated	Short and easy language
Claim declaration	Maybe complicated and expert needed	Simplified
Claim payment	Payment may take time	Within short period after declaration
Pricing	Taking into consideration individual risk	Community pricing'

Regulation  
and  
supervision



Innovation

# Proportionnality

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Taking into consideration the size, the nature and the complexity of the risks



Especially important for 'small policies', small insurers and innovation



Why important ?

Consumer protection



To encourage innovations with partners outside the conventional insurance sphere

# Why dedicated regulations ?

- ▶ If authorities want to treat them differently, separately from conventional insurance
- ▶ Necessity to differentiate inclusive insurance, microinsurance, mass insurance depends upon regulator as well
- ▶ Usually inclusive insurance includes microinsurance with all related marketing activities

# Definition of microinsurance....

- ▶ • Qualitative definition
  - Insurance accessible to low-income populations and MSME, offered by various entities, but respecting the ICPs of IAIS
  - Adapted to various circumstances
  
- ▶ • Quantitative definition
  - Easy to allow for a separate treatment
  - However keep in mind the spirit of microinsurance
  - Wrong conceived definitions may have wrong implications

# Approach for implementation : functional or institutional

## ▶ Functional:

- ▶ embedded in activities of a conventional insurer
- ▶ Brésil, Inde, Péru, Mexique, Taiwan, Chine, Philippines, Ghana, Kenya, Afrique du Sud, Uganda, **CIMA**

## ▶ Institutional:

- ▶ separate entity for microinsurance only....
- ▶ Usually with lower capital requirement and other 'lower' requirements (proportionality principle)
- ▶ Philippines, Cambodge, Brésil, **CIMA**



# REAL LIFE EXAMPLES FOR MICRO-INSURANCE REGULATORY FRAMEWORKS

ITEM	Ghana	Kenya	CIMA
Functional or institutional approach	Functional	Functional or Institutional	Functional or Institutional
Target markets	Low income, MSME, mass	Low income, MSME, mass	Low income
Lines of business	Not mentioned	Not mentioned	Explicitly mentioned
Index-based insurance	Not yet regulation but piloted projects exist	Separate regulatory framework	Separate circular
Specialisation life / non-life	Bundled products	Bundled products	Non life product may include one-year term insurance
Distribution channels	Not mentioned	No list ; however aggregator = policyholder	List with authorised channels in regulations
Service Level Agreement	To be submitted to regulator	To be submitted to regulator	No requirements
Duration and cancellation of SLA	Mandatory	Mandatory	
Product licencing	File & Go	Product file to be submitted	Product file to be submitted
Change or withdrawal of product or SLA	Mandatory information of regulator	Mandatory information of regulator	Nothing
Training of MI agents	Not mentioned	25 hours + minimum 15 Hrs every 3 years	48 hours; then 'professional licence'
Limits on commissions	No	Yes, 15% of P	Possibility in law

## REAL LIFE EXAMPLES FOR MICRO-INSURANCE REGULATORY FRAMEWORKS

ITEM	Ghana	Kenya	CIMA
Certification by qualified actuary	Yes	MI actuary	No
Logo of MI	Yes	No	No
Characteristics of products by law			
Fixed sum insurance	Not mentioned	YES	Not mentioned
Product definition	Qualitatif SUAVE	Qualitatif SUAVE	Qualitatif
Insurance duration	12 months renewable	12 months renewable	12 months renewable; life insurance: max 5 years
Quantitative limits	No	Max SA = +/- 5000 US \$; max daily contribution : 0,40 US \$	Qualitatif: max 5,34 € /insured/month
Pricing	community based' ( 'groupe' )	community based' ( 'groupe' )	Nothing mentioned; for life insurance: as conventional insurance
Minimum S/P	between 50 and 70 %	No	No

# REAL LIFE EXAMPLES FOR MICRO-INSURANCE REGULATORY FRAMEWORKS

ITEM	Ghana	Kenya	CIMA
Waiting period	Max 6 months	Mentioned only	No
Grace period	Min 31 days	Min 45 days, except for index based insurance	None; no premium no insurance
Freelook period	Yes min 15 days	As in conventional insurance	No
Inception of insurance			After payment of premium
Claim payment	Within 10 days after declaration of claim	Within 10 days after declaration of claim	Within 10 days after declaration of claim
Acceptance or refusal of claim	Within 7 days after declaration of claim	Within 10 days after declaration of claim	Within 7 days after declaration of claim
Electronic signature	Not mentioned	Not mentioned	Not mentioned
Information of client	Simplified mechanisms	Simplified mechanisms	Simplified mechanisms
Complaints management & consumer protection	Mandatory with insurer and ombudsman with regulator	Mandatory with insurer and ombudsman with regulator	Not mentioned
Reporting to supervisor			
Periodicity	Quarterly and yearly	Quarterly and yearly	Quarterly and yearly
Type of information	KPI + actuarial report	KPI	KPI

# Other examples...

- ▶ Mobile insurance: Ghana
- ▶ Bancassurance: Nigeria, Kenya,...

Thank you!  
Questions?

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